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Report Highlights: Japan’s total broiler consumption in 2004 is forecast to rise by 1% (to 1.85 million MT), while production is expected to ease by 1%. Imports are expected to increase by 6% (to 745,000 MT) in 2004. Imports in 2003 are expected to drop, reflecting imposition of a three-month import ban Chinese poultry due to the detection of Avian Influenza.

Includes PSD Changes: Yes
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Table of Contents

Japanese Broiler Market Outlook for 2004

Summary: Lethargic retail demand, ample supplies of low-priced domestic broiler meat, and a recovery of imports are forecast for 2004.

Japan's Total Consumption is Projected 1% Higher

As a result of lethargic retail demand, Japan's broiler market will continue to have ample supplies of low-priced domestic product. However, modest growth forecast in the food service sector (for both generic and prepared poultry) and in a segment of the retail sector (prepared products only) is expected to push Japan's 2004 total broiler consumption up by 1% to 1.85 million MT. One factor that could further boost demand in Japan's food service sector is higher expected beef prices in 2004, which may help to strengthen demand for imported broiler meat, following a 6% reduction forecast for 2003.

Japan's Broiler Production is Expected to Fall by 1%

Weak price prospects in 2004 are expected to force domestic producers to cut production, which is forecast to fall by 1% to 1.11 MT. However, this may do little to raise prices given lethargic consumption and the anticipated recovery in imports, which will pressure market prices.

Broiler Import Demand is Expected to Recover in 2004

Total broiler imports are expected to rise by 6% in 2004 to 745,000 MT (customs clearance basis), which is close to the level achieved in 2002. Resumption of imports from China, which were banned for about three months in 2003 due to the detection of Avian Influenza, will largely account for the increased import level in 2004 (see below). Imports of generic broiler meat are projected to rise by 7% to 510,000 MT, while imports of prepared poultry products are projected up by 4% to 235,000 MT. (Note: Customs clearance base import figures are used in import figure discussion as the imports are mixed with bone-in and bone-less cuts).

Market prices for imported broiler meat are expected to soften in 2004 as competition strengthens among the major broiler suppliers, namely Thailand, Brazil and China. Although imports from China are expected to recover considerably in 2004, it is uncertain how import shares will be distributed among the various suppliers. Lingering food safety concerns associated with Chinese broiler meat and prepared products could slow the pace of recovery in 2004.

Imports from the United States are expected to rise modestly in 2004, after nearly two years of intermittent bans due to the detection of Avian Influenza. This recovery will likely be limited by several factors. First, a major U.S. supplier reportedly discontinued supplies of boneless meat to Japan in 2003. Further, trade sources report that U.S. legs will face more competition from Asian suppliers. Indonesia, for example, has emerged in recent years as a supplier of low-priced bone-in legs (used for roasting), which are consumed during the Christmas holiday. The U.S. share of Japan's generic broiler imports in 2004 is projected at about 13%, mostly bone-in leg meat.

2003 Market Situation and Update Forecast

Total broiler meat imports are forecast to fall in 2003 due to lethargic demand, ample supplies of low priced domestic broiler meat, and Japan's three-month import ban on Chinese poultry (see tables 1 and 3). The resumption of imports from China in August will not be enough to offset the expected decline in imports for the year. During the ban, China continued to supply prepared broiler products produced at plants approved by Japan's agriculture ministry (MAFF), which helped to eased the expected tight supply situation during the summer months. Imports of U.S. broiler meat are forecast to recover modestly in 2003, hampered by high U.S. prices and shrinking exports of boneless broiler meat.

Post's revisions in Japan's 2003 broiler PS&D figures reflect slack alternative (BSE-related) demand for broiler meat, increased domestic broiler production, and Japan's ban on Chinese poultry and the products due to Avian Influenza.

Consumption of generic broiler meat (excluding prepared products) in 2003 is forecast to remain unchanged at 1.61 million MT. Japan's broiler production is forecast to rise by 1% to 1.12 million MT (bone-in basis) in 2003, offsetting reduced imports. Total import demand (broiler and the prepared products combined) is projected to fall by 6% to 700,000 MT (customs clearance basis), with generic broiler meat down by 10% to 475,000 MT, and prepared products up by 3% to 225,000 MT.

The supply gap created by Japan's ban on poultry from China (which is the biggest supplier) was addressed by a draw down of relatively high frozen stocks that accumulated early in 2003, and increased demand for Thai poultry (see table 2). During May-July (2003), CIF prices for Thai broiler meat jumped by 20% for bone-in legs, and by 40% for boneless legs, and wholesale prices of imported broiler meat has been rising steadily during the summer (see tables 4 A and 4 B). Imports of U.S. broiler meat are expected to recover modestly in 2003.

Despite the ban on poultry from China, which is the largest supplier of prepared products to Japan, supplies of *yakitori* (skewered chicken) and *karaage* (Japanese fried chicken) were sufficient to meet the summer demand. Increased imports from Thailand and uninterrupted imports from certain MAFF-approved plants in China helped to meet Japan's demand for prepared products. Reportedly, the flow of imported prepared products from China was halved during the three-month ban

Table 1. Monthly Japanese Household Consumption of Chicken

Unit: Grams per household

	Beef	% Chg.	Pork	% Chg.	Chicken	% Chg.
2002						
July	640	-17%	1,368	9%	888	14%
Aug.	673	-19%	1,397	10%	869	8%
Sept.	631	1%	1,382	2%	969	0%
Oct.	618	76%	1,482	-4%	1,035	-4%
Nov.	667	58%	1,456	-4%	1,060	-2%
Dec	852	46%	1,505	-8%	1,295	-5%
2003						
Jan.	611	20%	1,309	-6%	917	-7%
Feb.	626	24%	1,305	-7%	918	-8%
Mar.	676	9%	1,388	-7%	956	-6%
Apr.	626	-3%	1,330	-4%	961	-3%
May	719	8%	1,384	-2%	978	-3%
Jun.	628	-6%	1,351	1%	900	-4%
First Half Quantity	3,886	7%	8,067	-4%	5,630	-5%
First Half Expenditure	¥10,191	13%	¥10,836	-6%	¥5,231	-7%

Source: Meat and Livestock Daily

Table 2: Japanese Monthly Ending Poultry Stock Estimates

Unit: Metric Tons

	2001	2002	% Chg.	2003	% Chg.
Jan.	117,872	119,548	1%	127,442	7%
Feb.	113,896	128,023	12%	125,793	-2%
Mar.	109,211	130,520	20%	120,419	-8%
Apr.	108,492	134,548	24%	111,785	-17%
May	117,910	140,258	19%	102,292	-27%
Jun.	113,096	139,560	23%	97,187	-30%
Jul.	104,621	135,600	30%	n.a.	n.a.
Aug.	95,303	138,530	45%	n.a.	n.a.
Sep.	95,692	133,302	39%	n.a.	n.a.
Oct.	102,931	128,652	25%	n.a.	n.a.
Nov.	108,612	131,391	21%	n.a.	n.a.
Dec.	100,051	117,723	18%	n.a.	n.a.

Source: ALIC Monthly Statistics
Note: Above estimates are for generic poultry meat. Imports account for more than 70% of the total.

Table 3. Monthly Average Wholesale Prices of Domestic Broiler Meat

Unit: Yen per Kg.

Boneless Leg					
	2001	2002	% Chg.	2003	% Chg.
Jan.	702	737	5%	734	-0%
Feb.	673	687	2%	690	0%
Mar.	621	650	5%	644	-1%
Apr.	563	640	14%	594	-7%
May	541	648	20%	552	-15%
Jun.	503	630	25%	524	-17%
Jul.	510	616	21%	491	-20%
Aug.	530	620	17%	0	-100%
Sep.	571	635	11%	0	-100%
Oct.	666	649	-3%	0	-100%
Nov.	732	664	-9%	0	-100%
Dec.	752	712	-5%	0	-100%
Breast					
	2001	2002	% Chg.	2003	% Chg.
Jan.	216	323	50%	224	-31%
Feb.	196	291	48%	210	-28%
Mar.	197	263	34%	195	-26%
Apr.	212	248	17%	184	-26%
May	227	238	5%	192	-19%
Jun.	255	226	-11%	212	-6%
Jul.	266	216	-19%	225	4%
Aug.	270	213	-21%	0	-100%
Sep.	277	207	-25%	0	-100%
Oct.	287	206	-28%	0	-100%
Nov.	307	206	-33%	0	-100%
Dec.	331	219	-34%	0	-100%

Source: ALIC Monthly Statistics

Table 4–A). Quarterly Average Wholesale Prices of Imported Broiler Meat

Unit: Yen per Kg.

Commodity: Imported Bone-in Leg

U.S.

	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	211	315	49%	287	-9%
2nd Qtr Ave.	222	295	33%	294	-0%
3rd Qtr Ave.	245	292	19%	n.a.	n.a.
4th Qtr Ave.	289	293	1%	n.a.	n.a.
Year Ave.	242	299	24%	n.a.	n.a.

Thailand

	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	320	418	31%	373	-11%
2nd Qtr Ave.	330	361	9%	386	7%
3rd Qtr Ave.	348	377	8%	n.a.	n.a.
4th Qtr Ave.	390	385	-1%	n.a.	n.a.
Year Ave.	347	386	11%	n.a.	n.a.

Brazil

	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	327	392	20%	350	-11%
2nd Qtr Ave.	337	375	11%	233	-38%
3rd Qtr Ave.	329	375	14%	n.a.	n.a.
4th Qtr Ave.	369	362	-2%	n.a.	n.a.
Year Ave.	341	376	10%	n.a.	n.a.

Source: ALIC Monthly Statistics (Quarterly Figures Compiled by Ag. Affairs Office)

Table 4-B). Quarterly Average Wholesale Prices of Imported Broiler Meat

Unit: Yen per Kg.

Commodity: Imported Boneless Leg Cut

U.S.	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	291	437	50%	n.a.	n.a.
2nd Qtr Ave.	307	412	34%	n.a.	n.a.
3rd Qtr Ave.	339	n.a.	n.a.	n.a.	n.a.
4th Qtr Ave.	413	n.a.	n.a.	n.a.	n.a.
Year Ave.	337	n.a.	n.a.	n.a.	n.a.

Brazil	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	233	397	70%	310	-22%
2nd Qtr Ave.	291	327	13%	326	-0%
3rd Qtr Ave.	372	324	-13%	n.a.	n.a.
4th Qtr Ave.	440	313	-29%	n.a.	n.a.
Year Ave.	334	340	-29%	n.a.	n.a.

Thailand	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	317	457	44%	283	-38%
2nd Qtr Ave.	342	434	27%	294	-32%
3rd Qtr Ave.	366	382	4%	n.a.	n.a.
4th Qtr Ave.	430	335	-22%	n.a.	n.a.
Year Ave.	364	402	11%	n.a.	n.a.

China	2001	2002	% Chg.	2003	% Chg.
1st Qtr Ave.	250	365	46%	220	-40%
2nd Qtr Ave.	304	296	-3%	261	-12%
3rd Qtr Ave.	388	253	-35%	n.a.	n.a.
4th Qtr Ave.	448	240	-46%	n.a.	n.a.
Year Ave.	348	289	-17%	n.a.	n.a.

Source: ALIC Monthly Statistics (Quarterly Figures Compiled by Post)
Note: 2002 – 2003 data for U.S. boneless leg meat cuts are blank, reflecting import bans due to Avian Influenza, and shrinking exports to Japan.
Monthly prices for Brazilian bone in leg are up since June.

Japanese Broiler PS&D Table

Commodity
Poultry, Meat, Broiler

						(1000 MT)(MIL HEAD)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Inventory (Reference)	107	106	106	104	0	104
Slaughter (Reference)	580	586	570	595	0	590
Beginning Stocks	100	100	129	118	116	100
Production	1097	1107	1085	1120	0	1110
Whole, Imports	0	0	0	0	0	0
Parts, Imports	744	744	760	700	0	745
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	744	744	760	700	0	745
TOTAL SUPPLY	1941	1951	1974	1938	116	1955
Whole, Exports	0	0	0	0	0	0
Parts, Exports	3	3	3	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	3	3	3	3	0	3
Human Consumption	1809	1830	1855	1835	0	1850
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1809	1830	1855	1835	0	1850
TOTAL Use	1812	1833	1858	1838	0	1853
Ending Stocks	129	118	116	100	0	102
TOTAL DISTRIBUTION	1941	1951	1974	1938	0	1955
Calendar Yr. Imp. from U.S.	54	53	63	60	0	65